

January 29, 2013

State Auditor's Office Budget Hearing

Good Morning to the General Government Appropriations Subcommittee

I am here to represent several small businesses from the Flathead Valley in respect to the continued funding of the Insure Montana Program in this year's budget.

These are some points that I would like to point out to the committee for their consideration in restoring the funding in the upcoming budget hearings for the State of Montana.

1. What kind of impact will losing the subsidy program have on the businesses ability to offer group health insurance to their full-time and those part-time employees who qualify for health insurance.
2. The impact will be substantial for most if not all. Everyone who participates in Insure Montana contributes to their insurance premiums. These are full-time or part-time employees in our state who keep our economy moving. All they are trying to do is to make a decent living to support themselves, their families and to try to provide affordable health insurance.
3. It is very important for this committee to keep the funding in for Insure Montana. Even with the upcoming changes in 2014, such as the "exchanges" and insurance pools there are just too many unanswered variables with the new Obama care insurance plan. How can the small businesses within our state look at continuing to provide insurance with so many unanswered questions.
4. Insure Montana has proven itself as a very well-run program by providing affordable health care to small businesses in the State who would not be able to offer any insurance to their employees.

Dee Breeher
Wither's Healthfunds
Career Engineering
Kalispell, MT

January 29, 2013

Insure Montana:

Written By: Joe Withey, small business owner of Withey's Health Foods, Kalispell, MT

From a business owner's stand, the benefit of having the Insure Montana benefit has been a REAL help giving me the opportunity to help my employee's with health insurance. It was one of my top goals when I expanded my business in 2006. I grew from 3 employees to 11.

The program is good for small business and good for the State of Montana. It is money well spent and without it I would not be able to continue helping my employees. "Giving Back" is what I appreciate doing and having the legislature consider doing away with this program will be hard to accept. When I see my TAX DOLLARS being used in such a constructive manner, I do not feel quite so bad paying "my fair share". This is a "giving back" program from the state and I thank you! Together, small business and quality programs such as Insure Montana, will allow the business community to grow.

I do not rely on the Federal Government, nor do I put much faith in their "Health Care" proposal. It seems unlikely that if we "wait to see" we will regret the changes at the state level for insuring employees. I for one do not want the system changed and would encourage you to continue to fund the Insure Montana Program as it stands.

Thank you

Joe Withey

Insure Montana

Frequently Asked Questions: Insure Montana and the Affordable Care Act

What does the Affordable Care Act do for small businesses?

The Affordable Care Act offers small businesses a two-year tax credit for offering health insurance. Starting in 2014, this tax credit is only available to small businesses that purchase insurance through the SHOP exchange. This tax credit expires in 2016.

What is the SHOP exchange?

The ACA sets up two exchanges in every state: an individual market exchange and a SHOP exchange for small groups. Small businesses will have the option to purchase insurance through the SHOP exchange or in the open market. The ACA's two-year tax credits are currently available in the open market, but starting in 2014, the credits will only be available to businesses that purchase through the SHOP exchange. In the early years of the SHOP exchange, there may be only a handful of insurers participating, which could limit choices for small businesses.

How does the ACA tax credit compare to the Insure Montana Tax Credit program?

	Insure Montana Tax Credit program	ACA tax credit
Eligibility	<ul style="list-style-type: none">• 2-9 employees eligible to enroll in the group plan• No employee makes more than \$75,000 (excludes owner)	<ul style="list-style-type: none">• Fewer than 25 eligible employees• No employee makes more than \$50,000• Cannot be a single-family business (employing only family members)
Employer Contribution	At least 50% of premium cost	At least 50% of premium cost
Maximum Credit	No more than 50% of employer contribution	No more than 35% of employer contribution -- cap raises to 50% in 2014
Sunset	None	2016
Refundable	Yes	No

If Insure Montana is eliminated, what assistance can Insure Montana businesses obtain through the ACA?

Insure Montana businesses would, at best, receive a two-year tax credit through the SHOP exchange. Generally, the SHOP tax credits are smaller than the credits currently offered through the Insure Montana Tax Credit program.

How many Insure Montana businesses receive the ACA tax credit?

It is not known how many Insure Montana businesses also receive the ACA tax credit, however, the ACA tax credit is set up to avoid providing a tax benefit in excess of the employer's contribution toward a health plan. Furthermore, about one-third of Insure Montana businesses are single-family businesses, which makes them ineligible for the ACA tax credit.

Will rates be cheaper in the SHOP exchange?

Community rating rules will require insurers to use a single risk pool for all of their small group market business, both in and out of the SHOP exchange. The rates in each insurer's risk pool will largely reflect the insurer's experience and ability to manage risk.

Why wouldn't small businesses drop coverage and leave employees to shop on the exchange?

Many Insure Montana businesses cite health benefits as a primary reason they are able to recruit and retain highly-qualified staff. Businesses that drop coverage will lose a valuable recruitment and retention tool.

Employees who lose their employer-sponsored coverage will no longer receive the benefit of pre-tax employer contributions toward premiums. Any additional wages employees receive to compensate for the shift away from employer-sponsored coverage will be taxable income.

If an employer drops their health insurance plan, the individual market exchange can provide premium assistance for employees in the form of advanceable tax credits based on projected income. This assistance is only available to individuals making less than 400 percent of the federal poverty level. If an employee earns more than the projection, the federal government may recoup excess advanced tax credits at the end of the tax year.

Employees who are near the 400 percent cutoff will be most affected by potential recoupment of excess tax credits. To avoid owing the IRS any excess tax credits, employees near the cutoff may choose to forgo the monthly installments of the advanceable tax credit. If their income does not exceed the cutoff at the end of the year, the employee can claim the full credit on their tax return.

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